Efficacy Of Direct Tax Incentives on Exports and Foreign Direct Investment: An Analysis of Units in Special Economic Zones in India

SYNOPSIS

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INTRODUCTION

The primary objective of any tax law and its administration is to raise revenue for the purpose of funding Government expenditure. The amount of revenue raised is primarily dependent upon the collective tax base and the effective tax rates. The determinants of these two factors are a range of measures which include special tax rates, exemptions, deductions, rebates, deferrals, and credits. These measures are collectively called as 'tax incentives' or 'tax preferences'. They have an impact on Government revenues and reflect a significant policy of the Government.

The tax policy provides specific tax incentives which give rise to tax preferences. Such tax preferences havea definite revenue impact and can also be viewed as an indirect subsidy to preferred taxpayers, also referred to as 'tax expenditures'. Tax incentives resulting in any form of revenue impact per se are spending programs embedded in the tax statute. In simple terms, tax incentives are defined as all measures that provide for a more favorable tax treatment of certain activities or sectors compared to what is granted to general industry. A tax incentive is an aspect of a country's tax policy designed to encourage a particular economic activity by reducing tax payments for a company in the country. Tax incentives can have both positive and negativeimpacts on an economy.

The Income-tax Act, inter alia, provides for tax incentives to promote exports; balanced regional development; creation of infrastructure facilities; employment; rural development; scientific research and development; the cooperative sector, encourage savings by individuals and donations for charity. Accelerated depreciation is also provided as an incentive for capital investment. Most of these tax benefitscan be availed of by both corporate and non-corporate taxpayers.

As a part of encouraging exports, India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965.With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000. In this context, Special Economic Zone is a territory within a country that is

typically duty-free (Fiscal Concession) and has different business and commercial laws chiefly to encourage performance in exports,investment, and employment. These Special economic zones (SEZs) are typically created to facilitate rapid economic growth by leveraging tax incentives to attract foreign investment and spark technological advancement.

After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments. The main objectives of the SEZ Act are:

- generation of additional economic activity
- promotion of exports of goods and services
- promotion of investment from domestic and foreign sources
- creation of employment opportunities
- development of infrastructure facilities

Income Tax Act, 1961, provides several Tax incentives for SEZ units which are as follows:

- Tax exemption for SEZ units engaged in manufacture or providing services- A new section 10AA has been introduced in the IT Act by SEZ Act, 2005 which provides that the units in SEZ which start manufacturing or producing articles/ things or which start providing services on or after April 1, 2005 will be eligible for a deduction of 100 percent of export profits for the first five years from the year in which such manufacture/ provision of services commences and 50 percent of the export profits for the next five years.
- Exemption from Minimum Alternate Tax ("MAT")- Income arising or accruing on or after April 1, 2005, from any business carried on, or services rendered by SEZ unit would be exempt from MAT under section 115JB.Exemption from Capital Gains- Capital gains arising on transfer of assets (machinery, plant, building, land or any rights in buildings or land) on shifting of the industrial undertaking from an urban area to any SEZ would be exempt from capital gains tax.
- Tax holiday for SEZ developers- A new section 80-IAB has been introduced in the IT Act vide SEZ Act, 2005 whereby a deduction of 100 percent of profits derived from the business of

developing SEZ (notified on or after April 1, 2005) would be available to developer of SEZ for any 10 consecutive years out of 15 years beginning from the year in which SEZ has been notified.

- Exemption from Dividend Distribution Tax ("DDT")- No DDT would be payable by a developer of SEZ on dividend declared, distributed, or paid on or after April 1, 2005, out of current income.

Foreign Direct Investments:

- 100% FDI is freely allowed in manufacturing sector in SEZ units under automatic route, except arms and ammunition, explosive, atomic substance, narcotics and hazardous chemicals, distillation and brewing of alcoholic drinks and cigarettes, cigars, and manufactured tobacco substitutes.

REVIEW OF LITERATURE

A literature review functions as a tool to provide a background to researcher's work by summarizing the previously published work on the topic, classify the research into different categories and demonstrate how the research in a particular area has changed over time by indicating historical background if applicable, as well as explaining recent developments in an area. It clarifies area of controversy and agreement between experts in the area as well as identify dominant views. It evaluates the previous research and identify gaps that is unexplored or under-researched areas. It helps justify the present research by indicating how it is different from other works in the same area.

Table A: International Reviews

S. No.	Author & Publisher	Year	Title	Objectives	Findings
1.	Onah, B. C., Amuka, J. I., Asogwa, F. O., Onuigbo, F. N., Ezeudeka, C. F. Published In: Journal of Economics, Finance and Accounting Studies Published by Al-Kindi Centre for	2022	Does Incentive Improve Export Performance of Firms? An Evidence	To examine the effect of export incentives on the export performance of Nigerian firms.	The export performance of the firms improved significantly with the export expansion grant. It then suggests that if the country implements all its incentive programmes, the country's external trade will improve significantly.

	Research and Development, London, United Kingdom.				
2.	Ernazarov, N E. Published In: Web of Scientist: International Scientific ResearchJournal Published By: Indonesian JournalPublisher	2022	The Importance of Introducing Tax Incentives For Industrial Enterprises	To examine the role of tax incentives for industrial enterprises in the development of their production base and the views of tax scholars, the role of taxes in the activities of industrial enterprises.	Tax incentives have become the main criterion for stimulating industrial production. Tax incentives applied to industrial production have a positive impact on the development of private research and encourage investment in scientific and innovative activities in business.
3.	Ibrahim, H. S., Garba, E. J., Muhammad, M., Kakanda, M. M., Shehu,A., Published In: Traektoriâ Nauki = Path of Science Published By: Altezoro, S.R.O. & Dialog,Slovakia	2022	Impact Of Tax Incentives on Foreign Direct Investment Flow in Nigeria	To investigate the impact of tax holidays and custom duty exemption on FDI flow in the listed manufacturing companies in Nigeria.	Tax holiday and custom duties ex-emptions showed a significant positive effect on foreign direct investment inflows into theNigerian economy.
4.	Ozocakli, D., Khanalizadeh, B. Published In: Iranian Journal of Finance Published By: Iran Finance Association	2022	The Relationship between Foreign Direct Investment Inflows of World,Foreign Direct Investment Inflows of Turkey and Types of the Special Economic Zone: Evidence from 1980-2019	To analyze relationship between the Foreign Direct Investment inflows of Turkey, the Foreign Direct Investment inflows of the World and the number of the Special Economic Zone types using the Autoregressive Distributed Lag Method from 1980 to2019.	Result showed positive and significant effect onForeign Direct Investment inflows of Turkey in the long term and the short term. Also, the number of total Special Economic Zone has a positive and significant on the Foreign Direct Investment inflows of Turkey. Foreign Direct Investment inflows of Turkey increase 1.01% and2.58% in long term and short term, respectively when the increase is 1% in the number of total Special

					Economic Zone. Moreover, in this study, a number of Special Economic Zone types such as OIZ, TDZ, FZ have been analyzed.
5.	Chaisse, J.,Ji, X. Published In: World Trade Review Published By: WTO Secretariat	2020	The Pervasive Problem of SEZs For International Economic Law: Tax, Investment, And Trade Issues	To study whether SEZs represent a lawful development under International Economic Law (IEL)or not. To examine what kind of specific issues SEZs may raise under IEL.	SEZs have thepotential to undermine a number of well-established rules of international law. If tax incentives are not properly revised, tax evasion and competitive disadvantages can occur.
6.	Komleva, Valentina Belyaeva, Olga Tsepilova, Elena Published In: 34th International Business Information Management Association(IBIMA) Conference 2019 at Madrid, Spain	2020	Tax Incentives in Special Economic Zones: Russian and Foreign Experience	To identify the role of tax incentives for SEZ on the basis of their comparative analysis in Russia and foreign countries.	Creation of an SEZ is necessary in order to equalize regional development and increase investment attractiveness The presence of tax incentives is not a key factor for SEZ residents, but they lead to falling state budget revenues. Effective tax administration contributes to the sustainability of the development of these territories if it is based on maintaining and expanding the total tax base.
7.	Fitria, R., Hendrawan, A. Setyowati, M. Published In: 1st International Conference on Anti-Corruption and Integrity (ICOACI) 2019	2019	Income Tax Incentives Policy in Special Economic Zones	To Analyse the Income Tax Incentive Policy in Special Economic Zones based on the principle of GoodTax Policy.	For the government, income tax incentive policies in Special Economic Zones meet the principle of simplicity, minimum tax gap, appropriate government revenues, neutrality, and economic growth and efficiency.

	Published By: Science and Technology Publications				As for taxpayers, the principles fulfilled are the minimum tax gap, appropriate government revenues, and economic growth and efficiency. Meanwhile, in termsof the principle of equity and fairness, it was not fulfilled by the two parties.
8.	Sinenko, O., Mayburov, I. Published In: The 11th International Days of Statistics and Economics, Prague Sponsored By: Česká Spořitelna	2017	Comparative Analysis of Tax Incentives in Special Economic Zones in The Countries of The Asia-Pacific Region	To analyze theoretical grounds for tax incentives provided to special economic territories in the Asia- Pacific Region.	Tax incentives have been playing an increasing role in investment decision making, leading to a bigger number ofcross-border deals and spurring tax competition and the expansion of Duty Free and Duty Delaying regimes in the Asia-Pacific.
9.	Sinenko, O., Mayburov, I. Published In: International Journal of Economics and Financial Issues Published By: EconJournals	2017	Comparative Analysis of The Effectiveness of Special Economic Zones and TheirInfluence on The Development of Territories	To assess the effect of tax incentives in SEZs in relation to associated costs andthe goals it was designed to accomplish. To perform a comparative analysis of SEZ of industrial type that won the global free zones of the Year 2015 awards on the basis of direct investment, revenue shortfalls because of tax incentives, direct financial subsidies, people's income, employment, gross domestic product.	Creation of the SEZs yielded substantial positive results for the development of the regions. There is a positive trend in the growth of tax receipts and foreign directinvestment in the areas. At the same time, SEZs have no effect on population growth and the unemployment rate in the areas under study.

10.	Sinenko, O. A., Published In: Journal of Tax Reform Published By: Ural Federal University	2016	Methods Of Assessing of Tax Incentives Effectiveness In Special Economic Zones: An Analytical Overview	To estimate tax incentives effects on individual territorial development indicators. To carry out comprehensive estimation of tax incentives effectiveness in a SEZ.	The effectiveness of tax incentives in SEZs is directly related to the investment climate in the country, as well as to economic and political issues, inadequate protection of property rights, or a poorly functioning legal system. The effects of tax incentivesusually occur in the midterm or even long-term run.
11.	Ambroziak, A. A., Published In: Oeconomia Copernicana Published By: Nicolaus Copernicus University, Poland Copernicana Published By: Nicolaus Copernicus University,Poland	2016	Income Tax Exemption as A Regional State Aid In Special Economic Zones and Its Impact Upon Development of Polish Districts	To verify if the regional state aid granted to entrepreneurs in SEZs has had a positiveimpact on the social and economic development of Polish poviats.	Regional state aid in SEZs in the form of an income tax exemption was of a relatively higher importance to the poorest regions, while its significance was much lower in better developed areas in Poland. Moreover, the intensity of regional state aid granted to entrepreneurs in SEZs had a positive influence on the social and economic development of the poorest and sometimes less developed poviats in Poland, while the more developed poviats with SEZs did not record better or much better results compared to poviats without SEZs.

12.	Falguni, P. H., Joshi, Y. C., Published In: Foreign Trade Review Published By: SAGEPublications	2015	Impact Of Fiscal Incentives On SEZs' Performance In Gujarat	To find out the impact of various direct and indirect fiscal incentives on financial and location decision of SEZs. To study which incentives are preferred by SEZ units. To study implication of various incentives on Indian industry/economy.	Fiscal incentives play a noteworthy role for the financial performance of the units as they directly save their cash outflows; however, it does not have a major impact on the location decision of the firm. Results show positive impact of these fiscal incentives and SEZ policy on the Indian economy in one way or the other, but researcher expressed views to improve this system further by increasingawareness.
13.	James, Sebastian Published In: Investment Climate Advisory Services of The World Bank Group Published By: SSRN Electronic Journal	2014	Tax And Non- Tax Incentives And Investments: Evidence And Policy Implications	To analyze how investment incentives may or may not be used to foster private investment, particularly in developing countries. To know what makes such incentiveseffective. To answer how are they linked to policymaking and political economy.	On their own, such incentives have limited effectson investments. Countries must also dedicate themselves to improving their investment climates. If used, investment incentives should be used minimally, mainly to address market failures and generate multiplereffects. Incentives should be awarded with as little discretion and as much transparency as possible, using automatic legal criteria.
14.	Aggarwal, A. Published In: AsianSurvey Published By: University Of California Press	2012	SEZ-Led Growth in Taiwan, Korea, And India Implementing a Successful Strategy	The study focuses on three Asian countries, namely, Taiwan, South Korea and India, vis-à-vis their SEZ policy, analyzing the evolutionary role of the state in the zone-induced development	While both Korea and Taiwan achieved phenomenal success in terms of their zones' impact on early industrialgrowth, India failed to exploit the potential of its SEZs. Recently, the three countries have all moved to the next

				process.	evolutionary stage in their SEZ policy. Taiwan is creating trade based SEZs to promote high-tech industries. Korea is attracting FDI through FEZs in an effort to transform itself into a regional business, logistics, and financial hub while spawning world-class cities.
15.	Chandrachud, S., Gajalakshmi, N. Published In: Journal of Business and Management Published By: Centre of Excellence for Scientific & Research Journalism	2013	The Current Status Of SEZ, India	To measure the level of economic quake felt by Indian economy in the 21st Century i.e., SEZ in the global context and SEZ in the Indian context. To Compare State-wise approvals of SEZ and Sector-wise approval of SEZ. To examine role of SEZ in Units Approvals, Export performance, Employment generation and Investment.	Due to wide range of incentives, facilities and many other relaxations amended in SEZs, majority of the states in the country are motivated to set up SEZs to enjoy the advantages generated throughthese zones.

Table B: National Reviews:

S. No.	Author & Publisher	Year	Title	Objectives	Findings
1.	Wu, M., Liu, C., Huang, J. Published In: China Economic Quarterly International Published By: China Science Publishing &	2021	The Special Economic Zones and Innovation: Evidence from China	To determine the Impact of Special Economic Zones (SEZs) on innovation using China's county-level data from 1985 to 2011 by using the quantity and quality of patents.	SEZs have positive effect on patent applications, grants and citations, so policies encouraginginnovation and entrepreneurship in SEZs should be extended to general regions in China and other countries. The governments of SEZs should further

	Media Ltd, KeAi KEAI				strengthen Industry-University-Research cooperation by building more innovative platforms and improve the business environment.
2.	Stausholm, S. N., Published In: SocArXiv Papers, Published By: Center for Open Science, University of Maryland	2017	Rise Of Ineffective Incentives: New Empirical Evidence on Tax Holidays in Developing Countries	To know whether tax incentives undermine or facilitate development. To investigate tax rates and tax holidays in terms of both economic and social impacts in developing countries during 1985-2014 in the largest panel data set ever deployed for this purpose.	Tax holidays are negatively correlated with tax revenues, and as revenues decrease, the spending on education decreases. This has real effects, as evidenced by a significant negative correlation with enrollment in primary education. The analysis concludes that tax holidays overall have more negative than positive impacts on sustainable development.
3.	Mukherjee, A., Bhardwaj, B., Published In: Indian Council for Research on International Economic Relations	2016	Imposition Of MAT On SEZs: Concerns And The Way Forward	To examine if the withdrawal of the MAT exemption from 1 April 2012, has adversely affected the performance of Indian SEZs. To understand the importance of direct tax benefits, including MAT exemption, for SEZ developers and units. To examine the direct tax incentives given to SEZs across countries such as Bangladesh, Philippines, Republic of Korea, United Arab Emirates (Dubai) and Vietnam, with	The impact of the imposition of MAT on them varied depending on their stage of income taxexemption. While exports from SEZs have declined, there has been an increase in the number of operational SEZs and around 1650 units have been registered in SEZs since 1st April 2012, when MAT was imposed. There is a need to restructure the SEZ policy in terms of the incentives provided to SEZs.

				whom India competes to get FDI and technology.	
4.	Jasiniak, Magdalena, Koziński, Jakub Published In: e-Finanse Published By: Econstar	2015	Tax Incentives as An Instrument Attracting Investors to Special EconomicZones	To investigate whether tax incentives have an impact on the decision process of locating the investments in Special Economic Zones in Poland.	Tax incentives are an important instrument attracting investors to Special Economic Zones. Tax reliefs seem to be an important investment incentive; however the importance of income taxes is greater than the local costs to doing business. There are also some differences in evaluating tax support depending on a company's size and the level of support in the particular region.
5.	Sharma, S. P., Taneja, R. Munjal, A. Published In :PHD Chamber	2014	Current State and Performance Review of SEZs in India A Survey	To understand the evolution process ofSEZs in India. To analyze the current status and performance of SEZs in India in terms of investments, employment and exports. To identify the issues and challenges of SEZs developers or units inIndia. To analyze the overall efficacy of the functioning and monitoring of SEZs in India and To recommend the policy measures to address the concerns of SEZs developers or units inIndia.	SEZs in India have witnessed generation of employment, investments, and exports over a period. SEZs model in India could not reap the expected rate of benefits pertaining toall these aspects due to rise in cost of operation, global slowdown, fall in market demand, lackof skilled manpower and the primarily is imposition of MAT and DDT.

6.	Lakshmanan, L. Published In: RBI StaffStudies	2009	Evolution Of Special Economic Zones And Some Issues: The Indian Experience	To put forward an analytical abstract of the evolution, development and the issues concerning the SEZs, not only in India but also the related happenings in the rest of the world. To evaluate certaincritical perspectives and offers suggestions for the success of theSEZs in India.	Overall, the SEZs may be encouraged but within manageable parameters; approve after thorough scrutiny of the sustainability of such propositions with a preference for developing them in the barren regions, thereby not affecting the cultivable areas. Develop basic transport infrastructure including export infrastructure while operationalizing the sez units to ensure smooth movement of goods produced and thereby enhance the competitiveness of the products in the world market.

RESEARCH GAP:

Based on review of literature, it is found that various studies have been conducted on the effectiveness of export incentives and performance of SEZ units and other industrial enterprises outside India specially Nigeria and China. Also, several of these have focused on the impact of fiscal incentives on SEZ units. Several studies focused on the comparative study of SEZ policies in different countries. Very fewresearchers have shed light on the tax incentives available for units in SEZs, but the overall impact of tax incentives given under Income Tax Act, 1961 exclusively for units in SEZs in India upon their export performance and Foreign Direct Investment has not been yet accounted for. Hence, this study, entitled as "Efficacy of Direct Tax Incentives on Exports and Foreign Direct Investment: An Analysis of Units in Special Economic Zones in India" is aimed primarily to evaluate the impact that direct tax incentives have on export performances and Foreign Direct Investment towards the SEZ units in India.

NEED OF THE STUDY:

The Indian government had long used export processing zones (EPZs) to promote exports. While these

EPZs had a similar structure to SEZs, the government began to establish SEZs in 2000 under the Foreign Trade Policy. The government's SEZs are structured closely on China's successful model. They are designed to encourage domestic and foreign investment, boost India's exports, and create new employment opportunities. The government has provided several financial and fiscal incentives to the SEZs for their growth.It has also continued giving several tax incentives to the same. It is important to know whether the tax incentives provided under the Income Tax Act, 1961 are worthwhile or not. This study will be helpful in determining whether these incentives encourage exports and contribute to the increase in Foreign Direct Investment towards units in SEZs.

OBJECTIVES OF THE STUDY

The study aims to achieve the following objectives:

- To study the Revenue Impact of Direct Tax Incentives availed by various taxpayers.
- To evaluate the impact of direct tax incentives on export performance of units in Special Economic Zones.
- To examine the effect of direct tax incentives on Foreign Direct Investment towards Special Economic Zones.
- To analyze the level of satisfaction towards direct tax incentives of units in Special Economic Zones.

HYPOTHESES:

H_{01}: There is no significant difference between Revenue Impact of Direct Tax incentives among corporate, non-corporate and individual taxpayers.

H_{02}: There is no significant impact of direct tax incentives on export performance of units in SEZs.

H_{03}: There is no significant impact of direct tax incentives on contribution of exports of SEZ units to GDP.

H_{04}: There is no significant impact of direct tax incentives on inflow of FDI to SEZs.

H_{05}: There is no significant difference between perception and expectations of SEZ units towards direct taxincentives.

During study, additional hypotheses may be developed and tested.

RESEARCH METHODOLOGY

SAMPLE SIZE AND SELECTION CRITERIA

The table below shows Special Economic Zone-wise number of units operational in India.

Table C: Zone-Wise Classification of Units

Special Economic Zones in India	Number of units
Andhra SEZ	15
Cochin SEZ	53
SEEPZ SEZ	37
Falta SEZ	12
Indore SEZ	5
Kandla SEZ	21
Mangalore SEZ	1
MEPZ SEZ	49
Noida SEZ	29
Salem SEZ	1
Vishakhapatnam SEZ	47
Total Units	**270**

Based on Operational SEZ units established in previous years as stated in Annexure-Table 1, the following number of units are eligible for deduction or claiming benefits as per the criteria mentioned in Annexure- Table 2.

Table D: Number of Units eligible for deduction

A.Y.	Tax holiday (Section10AA)	Chapter VIA (Section 80IA)	Chapter VIA (Section80IAB)
2012-13	188	13	190
2013-14	188	9	190
2014-15	189	4	191
2015-16	190	NA	192
2016-17	191	NA	191
2017-18	191	NA	137
2018-19	191	NA	61
2019-20	192	NA	35
2020-21	192	NA	20
2021-22	192	NA	9
2022-23	138	NA	3

On the basis of above table, the study will consider the eligible units of SEZs. On 27th January 2022, total operational units of SEZs stood at 268 which is now 270 as per the latest available data (as on 30th

September2022). The above-mentioned number of units, if increased, in future, will be duly considered to achieve the above objectives. Also, zone-wise classification of units, if required, will be done during study. The information about the choice of selection of which 10 years in which the units claim deduction under chapter VIA will be obtained from the units during study.

TYPE OF DATA

Primary as well as Secondary data will be used in the study.

DATA COLLECTION

Primary Data - For gauging the satisfaction level of SEZ units towards direct tax incentives, all OperationalSEZ units as on 30th September 2022 in India will be taken as population for the study. In order to define the number of respondents, the Cochran's Sampling Technique has been applied:

$$n_o = \frac{z^2 pq}{e^2} \ldots\ldots\ldots\ldots\ldots\ldots (1)$$

$$n_o = \frac{(1.96)^2\ (0.5)(0.5)}{(0.05)^2}$$

$$\boldsymbol{n_o = 385}$$

$$n = \frac{n_o}{1+\frac{(n_o-1)}{N}} \ldots\ldots\ldots\ldots\ldots\ldots (2)$$

$$n = \frac{385}{1 + \frac{(385-1)}{270}}$$

$$n = 158.9464$$

$$\boldsymbol{n = 160}\ \textbf{[Round Off]}$$

Here, N = population size

n = Sample Size

no = Representative Sample for Proportions

z = Abscissa of the Normal Curve that Cuts Off an Area α at the Tails (Confidence Level i.e., 95%)p = Estimated Proportion of an Attribute that is Present in the population

q = 1- p

e = Level of Precision (0.05)

The Cochran's Sampling Technique has given the sample size as 160 units. The number of units will be chosen proportionately from all SEZs and from each SEZ, minimum 2 responses will be taken. Proportionate and Snowball sampling technique will be used.

Respondents Profile – Managers/Executives/owners of SEZ units having a minimum experience of 5 years will be considered for the purpose of getting questionnaire filled.

Secondary Data

The Secondary data will be taken from Receipts Budget of Government of India and official website of SEZ. National and International level and government published journals, articles source, as well as websites,will be used as sources of secondary data.

DURATION OF THE STUDY

For the purpose of the study, a period of 10 assessment years from 2012-13 to 2022-2023 will be taken intoconsideration.

TOOLS FOR THE STUDY

Various statistical tools like Mean, Correlation & Regression analysis, One way Analysis of Variance (ANOVA), Chi-Square Test and other required tools will be used for analyzing the data. Presentation toolslike tables, graph charts will also be used to present the data.

TABLE E: SPECIFIC RESEARCH METHODOLOGY

S.No.	Objectives	Research Methodology	Hypotheses
1.	To study the Revenue Impact of Direct Tax Incentives availed by various taxpayers.	To achieve this objective, a comparative analysis of corporate, non-corporate and individual taxpayers with respect to direct tax incentives availed under Income Tax Act, 1961 will be done using one way ANOVA tool. Direct tax incentives which are exclusively provided for the benefit of units in Special Economic Zones will be grouped into categories viz. Tax Holiday (Section 10AA) and Chapter VIA deductions (Section 80IA &	H01: There is no significant difference between Revenue Impact of Tax incentives among corporate, non- corporate and individualtaxpayers.

		80IAB).	
2.	To evaluate the impact of direct tax incentives on export performance of units in Special Economic Zones.	To achieve this objective, first the proportion of tax incentives provided for export promotion with respect to total tax incentives will be calculated, its trend will be studied. Correlation and Regression analysis will then be used to determine the impact of direct tax incentives on exports performance of units in SEZs.	H_{02}: There is no significant impact of direct tax incentives on export performance of units in SEZs. H_{03}: There is no significant impact of direct tax incentives on contribution of exports of units in SEZs to GDP.
3.	To examine the effect of direct tax incentives onForeign Direct Investment towards Special Economic Zones.	To achieve this objective, Correlation and Regression analysis will be used to determine the impact of tax incentives on inflow of FDI to SEZs. FDI in SEZs cumulatively over the years will be taken into consideration due to unavailability of unit wise data.	H_{04}: There is no significant impact of direct tax incentives on inflow of FDI to SEZs.
4.	To analyze the level of satisfaction towards direct tax incentives of units in Special Economic Zones.	Expectations and perceptions of units inSEZs will be analyzed using Questionnaires. The analysis will be based on the concept that Satisfaction=Perception- Expectations Chi Square test will be applied to ascertain how far the expectations differ from perceptions of respondents of SEZ units regarding tax incentives given under Income Tax Act, 1961. Uniformity will be duly ensured to cover all the SEZs and different sectorsin SEZs.	H_{05}: There is no significant difference between perception and expectations of SEZ units towards direct tax incentives.

TABLE :F PROPOSED CHAPTER PLAN

Chapter Number	Title
Chapter 1	Introduction
Chapter 2	Review of Literature
Chapter 3	Revenue Impact of Direct Tax Incentives
Chapter 4	Impact Of Direct Tax Incentives on Export Performance of unitsin Special Economic Zones
Chapter 5	Impact Of Direct Tax Incentives on Foreign Direct Investment inSpecial Economic Zones
Chapter 6	Satisfaction level of units in Special Economic Zones TowardsDirect Tax Incentives
Chapter 7	Findings, Suggestions, Conclusions

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Annexure:

Table:1 Operational SEZ units in India

Previous Year	Number of SEZ units operationalized
2000-01	3
2001-02	0
2002-03	4
2003-04	5
2004-05	4
2005-06	2
2006-07	54
2007-08	76
2008-09	26
2009-10	15
2010-11	11
2011-12	6
2012-13	0
2013-14	1
2014-15	1
2015-16	1
2016-17	0
2017-18	0
2018-19	1
2019-20	0
2020-21	0
2021-22	0

Note: Number of operational units are subject to change as per government orders in future, if any.

Table 2: Criteria for Selection of Number of Units Under Various Sections Pertaining to SEZs:

Section	Title	Eligibility	Conditions	Amount of Deduction
Tax Holiday: Section 10AA of Income Tax Act,1961	Special provisions in respect of newly established Units in Special Economic Zones.	The benefit in respect of newly established Industrial Undertaking in SEZ is Available to all Assesses on Export of Certain Articles or things or software	Begin its production, etc. on or after 01-04-2006 relevant to AY 2006-07 but before 01.04.2021 ITR should be filed on time & deduction should be claimed	100% of the profits from the export for the first 5 years from the beginning and 50% for next 5 years and for further 5 Years 50% subject to creation of "Special Economic Zone Reinvestment Allowance Reserve Account"

Chapter VIA: 80IA of Income Tax Act,1961	Deductions in respect of profits and gains from industrial undertaking, Industrial parks, or special economic zone	An undertaking which develops and operates industrial park or special economic zone notified by central government.	Commencement between For SEZ: 01 April 1997 to 31 March, 2005 For Industrial parks: 01 April 2009 to 31 March 2011 ITR should be filed on time & deduction should be claimed Audit to be done by a CA	100% of profit for 10 consecutive assessment years.
Chapter VIA: 80IAB of Income Tax Act, 1961	Deductions In Respect of Profits and Gains by An Undertaking or Enterprise Engaged in Development of Special Economic Zone	An undertaking or enterprise which is engaged in the development of special economic zone notified by central government.	The taxpayer is a developer of a Special Economic Zone (SEZ). The gross total income of the taxpayer includes profits and gains derived by an undertaking from any business of developing a special economic zone. Such special economic zone is notified on or after April 1, 2005, and the development of special economic zone should begin on or before March 31, 2017.	The deduction shall be allowed of an amount equal to 100% of the profits and gains derived from such business for 10 consecutive assessment years.

Note: The study will only consider the criteria related to Special Economic Zones under section 80IA.